

Testimony of Nicki Fuller
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The Southwestern Power Resources Association

Mr. Chairmen and members of the Subcommittee, my name is Nicki Fuller and I am the Executive Director of the Southwestern Power Resources Association (SPRA). I come before you today as a bit of a unicorn. I am a grateful constituent, a happy customer, and we have a federal program that works. First, I am grateful to you- members of this Subcommittee and Congress as a whole for supporting the federal hydropower program time and time again. Second, I am happy with the work done at the Southwestern Power Administration (Southwestern) and their continued commitment to cost-efficiency and transparency. Finally, I am proud of the hard work we have done in my region to protect the federal infrastructure to ensure we have a program that is successful and sustainable.

SPRA is a voluntary, not-for-profit organization of rural electric cooperatives and public power systems in Arkansas, Kansas, Louisiana, Missouri, Oklahoma and Texas. These cooperatives and systems are customers of the Southwestern, a Power Marketing Administration (PMA) which is a part of the Department of Energy (DOE). Southwestern markets hydroelectric power generated at 24 multi-purpose Army Corps of Engineers (Corps) water projects in this region. SPRA members serve over 8.2 million end-users in this six state region with environmentally-friendly federal hydropower. The Flood Control Act of 1944 (58 Stat. 887, 890; 16 U.S.C.A. 825s) is Southwestern's main authorizing legislation. Through Section 5 of this Act and a series of Executive Orders, Southwestern's Administrator is authorized to "transmit and dispose of ... power and energy in such manner as to encourage the most widespread use thereof at the lowest possible rates to consumers consistent with sound business principles."

Unlike most federal programs, the PMAs like Southwestern pay their own way. Every dollar spent on the federal hydropower power program is repaid through rates charged to

customers. This includes the construction, operation and maintenance, and transmission costs of generating and marketing the hydroelectric energy and capacity incurred by both the Corps and the PMA, plus interest on capital costs. Southwestern receives a diminishing amount of appropriations every year from Congress, today in the amount of about \$11 million dollars or less than 5% of their total operating budget. These appropriations plus *all other expenses* for Southwestern and for the Corps' costs for hydropower and a percentage of joint use expenses are included in the rates that the customers pay. The tax payers do not subsidize or pay for any activity of any PMA, including Southwestern.

As you will likely note from the testimony of other PMA customer groups across the country today, each PMA is very different. Not only are the statutory and legal frameworks in which the PMAs operate different, the customers themselves and the relationship they have with their PMAs are diverse. At SPRA and within Southwestern's footprint, we consider ourselves extremely fortunate. For SPRA's 60 years of existence, I and those that have come before me, have made cooperation between Southwestern and its customers a primary mission.

I began my career in public power working for Southwestern. Within my first 24 hours on the job, I was told that the customers pay my wage and are like my Board of Directors. This customer-service approach still exists today, and is evident in Southwestern and its employees. Quarterly, Southwestern updates myself and my Board on all issues of importance, and asks for input on matters large and small. This transparency is the key to our long and successful relationship as business partners. That is not to say there have not been bumps in the road along the way. However, the established practice of frequent communication has allowed these issues to be addressed in a manner which was fair to all parties.

Today I will discuss two issues which are very important to SPRA and its members. They are: 1) the need for increased financial flexibility of Southwestern and 2) Customer Funding of infrastructure.

Increased Financial Flexibility

Unlike the giant reservoirs that are common sights along the northern Missouri river and across the Pacific Northwest, the system of Southwestern is very dependent upon in-flow of water. Most of the Corps owned dams in my region do not have the storage capabilities to sustain a long-term drought. Regardless of the water conditions, Southwestern has a contractual obligation to my members to deliver the power it guarantees. For this reason, when the area is in a drought Southwestern must purchase the power necessary to fulfill these contractual obligations. As mentioned above, because Southwestern's customers pay all of its costs, these costs are passed on to them through the power rates. During the past period of drought, SPRA asked Southwestern if there was a way to pay for these purchases incrementally over a period of years, in advance, so these costs aren't so onerous during periods of drought.

To achieve this incremental collection, Southwestern would need a special type of account at the US Treasury- one with the authority to hold funds across fiscal years with the ability access when needed. In 2015, language was transmitted to Congress to establish such a fund. Unfortunately, this financial flexibility that is common sense business practice, has not been able to pass the legislative hurdles necessary for use.

Financial flexibility tools such as the one mentioned above are key the continued success of Southwestern. As energy and capacity markets become more evolved, Southwestern must have the ability to act "consistent with sound business principles," as it is statutorily obligated to

do. This financial flexibility not only makes good sense, it is also highly desired by Southwestern's customers - which are the one that pay all of the expenses.

Customer Funding of Infrastructure

With all the discussion of "Public Private Partnerships" or "P3", I want to inform the Subcommittee about the long, successful P3 program in our region. Beginning in the 1990s, federal power customers began noticing increased unscheduled outages at Corps and Bureau of Reclamation hydropower plants. These outages were increasing costs to the PMA customers because significant outages often make it necessary for PMAs to purchase expensive replacement energy to meet their contractual obligations to their customers. Further, because of federal budget cycles, waiting for appropriated funding for a crippled plant that requires significant equipment repair and/or replacement before returning to service might extend the outage – and the cost – over multiple years, all while the customers pay the bill.

Even though there was increase in outages due to maintenance issues, SPRA saw significantly decreased appropriations for maintenance of this infrastructure. Reduced appropriations to the federal power program do not represent savings to the U.S. Treasury. We pay the costs, whether we provide the funding directly to the Corps or indirectly through appropriations that are subsequently returned to the Treasury. By paying up front, before the equipment failed, we could save millions of dollars for our utility customers and sustain this important federal infrastructure.

With this in mind, SPRA in partnership with the Corps and Southwestern, put together the Trust Memorandum of Agreement (Trust MOA). Under this agreement, the customers meet with the Corps and Southwestern to determine the funding needs for the following fiscal year. Together we rank projects based on need and risk of failure and then choose the projects should

be funded in the next fiscal year. This cooperative process allows the customers, the ones that pay the expenses, to have input on how their money is spent and it allows the Corps to have a predictable revenue stream to sustain this federal infrastructure. We have committed to the Corps that we will fund through the Trust MOA about \$2.4 billion for hydropower infrastructure over the next 30 years to complete rehabilitation of all 24 Corps hydropower plants marketed by Southwestern. Through this process we are able to keep local control and oversight, sustain federal infrastructure, and assure the longevity and future of the federal hydropower program.

In conclusion, I come to you today in the rare and enviable position of a constituent and customer that is happy. We have a strong working relationship with Southwestern, which has proved invaluable for the 8.2 million federal hydropower customers in the Midwest. Unlike other federal programs, this program and existing partnerships costs the taxpayers absolutely nothing yet benefit millions of citizens while investing in federal infrastructure assets. Additional financial flexibility for Southwestern would help ensure the continued success of this program and partnership. We are proud of the work that we have done in our area with Southwestern and the Corps to be good stewards of the federal infrastructure, and ensure its viability. These dams provide so many benefits to my region including navigation, flood control, water supply, environmental programs, and recreation. Without the federal hydropower customers paying the bills, more of the costs of these joint activities would be borne on the taxpayer. Thank you for your tireless efforts to protect the PMAs and ensure this cost-based public power is allowed to continuing serving the needs of over 8 million homes in the Midwest. Mr. Chairman, this concludes my testimony. Thank you for allowing me to come here today to discuss this important issue. I would be pleased to address any questions that you or the Members of the Subcommittee may have.